

Message Text

SECRET

PAGE 01 KINGST 00839 111849Z

50

ACTION SS-30

INFO OCT-01 ISO-00 SSO-00 /031 W
----- 060729

O 111600Z MAR 74
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC IMMEDIATE 4171

S E C R E T KINGSTON 0839

STADIS////////////////////////////////////

EXDIS

EO 11652: GDS
TAGS: PINT, JM
SUBJECT: COMMENT ON PRIME MINISTER MANLEY'S "ALLIANCE
OF PARTICIPATION".

REF: KINGSTON 829; KINGSTON 830

FOR ARA DEPUTY ASSISTANT SECRETARY SHLAUDEMAN

1. HERewith MISSION COMMENT ON PRIME MINISTER MANLEY'S
PROPOSED"ALLIANCE OF PARTICIPATION" WITH THE BAUXITE
COMPANIES.
2. THE PROPOSAL FOR NEW ARRANGEMENTS BETWEEN THE
BAUXITE COMPANIES AND THE GOJ OUTLINED BY PM MANLEY TO
A VISITING USG OFFICIAL LAST FRIDAY CONFORMS GENERALLY
TO THE POSITION AS WE HAVE WATCHED IT DEVELOP OVER PAST
SEVERAL MONTHS AND CONTAINS NO MAJOR SURPRISES WITH THE
EXCEPTION OF THE APPARENT SEVERITY OF THE GOVERNMENT'S
ATTITUDE TOWARDS KAISER AND REYNOLDS SHOULD THEY REFUSE
TO CONSTRUCT REFINING FACILITIES IN JAMAICA. INDEED,
THE APPROACH OUTLINED BY THE PM IS MORE MODERATE THAN
WE HAD ANY REASON TO EXPECT, AT LEAST FOR OPENERS.
THE EVIDENT DESIRE TO AVOID CONFRONTATION WITH THE
INDUSTRY, EVEN AS A NEGOTIATING PLOY, IS GRATIFYING, AS IS
THE PRESENCE OF CERTAIN POSITIVE FEATURES SUCH AS TAX

SECRET

SECRET

PAGE 02 KINGST 00839 111849Z

INCENTIVES FOR NEW PRODUCTIVE CAPACITY. WE UNDERSTAND

THAT THIS POSITION WAS ONLY ACHIEVED AFTER SEVERAL WEEKS OF INTENSE STRUGGLE DURING WHICH THE MORE RADICAL AND NATIONALISTIC ELEMENTS IN THE GOVERNMENT TEMPORARILY HELD THE UPPER HAND. AS WE HAVE REPORTED PREVIOUSLY, MODERATE ELEMENTS HOLD THE HIGH GROUND, AS IT WERE, BUT THE ABSENCE FROM THE COUNTRY AT DIFFERENT TIMES DURING THIS PERIOD OF DAVID COORE, MINISTER OF FINANCE, ALLAN ISAACS, MINISTER OF MINES AND RESOURCES, AND MEYER MATALON GAVE THE RADICALS SOMETHING OF AN EDGE. THE RETURN OF THESE FIGURES TO JAMAICA CONTRIBUTED TO RIGHTING THE BALANCE. IN ADDITION, OUR OWN EFFORTS, AND PARTICULARLY THOSE OF MR. KENNETH ROGERS, JAMAICAN DESK OFFICER, WHO WAS VISITING JAMAICA AT THE TIME, APPARENTLY PLAYED A SIGNIFICANT ROLE IN TURNING MANLEY AND HIS COLLABORATORS AROUND YET ONCE AGAIN.

3. UNFORTUNATELY, THE GOJ PROPOSALS AS RECEIVED BY US ARE RATHER UNCLEAR IN PART. THIS IS PARTICULARLY TRUE OF POINTS 1 AND 2 WHICH ARE LIKELY TO BE THE NEXUS OF THE NEGOTIATION. IF THE DEPARTMENT COULD CLARIFY THESE POINTS IN THE COURSE OF PM'S VISIT TO WASHINGTON IT WOULD BE A POSITIVE CONTRIBUTION TO OUR UNDERSTANDING OF THE POSITION.

4. WITH RESPECT TO POINT 1, IT IS NATURAL FOR THE GOJ TO SEEK MAXIMUM FLEXIBILITY IN THE FORMULA BY WHICH IT DERIVES THE REVENUES FROM THE INDUSTRY. ON THE OTHER HAND, THE STATEMENT OF THIS POINT IS SO VAGUE IT IS HARD TO SEE PRECISELY WHAT THEY ARE SEEKING. WHILE FLEXIBILITY MAY BE DESIRABLE, SOME KIND OF EXPLICIT FORMULA WILL OBVIOUSLY BE NECESSARY IF AGREEMENT IS TO BE REACHED. THE MOST LIKELY FORMULATION IS A FIXED CHARGE OR ROYALTY FOR TON OF BAUXITE PRODUCED EXPRESSED AS A PERCENTAGE OF THE AVERAGE PRICE OF A TON OF ALUMINUM IN SEVERAL MARKETS AND/OR OVER A PERIOD OF TIME.

5. WE ARE COMPLETELY BAFFLED BY POINT 2 AND HAVE NO IDEA WHAT IT IS DRIVING AT. WHATTHIS PROBABLY MEANS IS SOME FORMULA FOR ELIMINATING THE MAJOR DIFFERENCES IN INCOME PRODUCING CAPABILITY BETWEEN RAW BAUXITE SHIPPED

SECRET

SECRET

PAGE 03 KINGST 00839 111849Z

TO THE UNITED STATES FOR PROCESSING AND BAUXITE PROCESSED INTO ALUMINA IN JAMAICA. HOWEVER ANY CLARIFICATION OF THIS POINT THE DEPARTMENT CAN ACHIEVE WOULD BE HELPFUL.

6. POINTS 3, 4, AND 5 CONFORM FAIRLY CLOSELY TO OUR EARLIER UNDERSTANDING OF THE GOVERNMENT'S OBJECTIVES AND, INDEED, ARE COUCHED IN SURPRISINGLY MODERATE TERMS. THE SAME CAN BE SAID FOR POINT 6 AND IF THE COMPANIES FIND

IT POSSIBLE TO MAKE IT EASY FOR THE GOVERNMENT TO
OBTAIN SOME LEVEL OF EQUITY PARTICIPATION BY THE 1977
GENERAL ELECTIONS THIS MAY TAKE CARE OF THE GOVERNMENT'S
POLITICAL PROBLEMS IN LARGE PART, PREVENTING IT FROM
CONSIDERING MORE EXTREME STEPS

7 THE MOST ARRESTING FEATURE OF THE GOVERNMENT'S POSITION
IS CONTAINED IN POINT 7, WHICH IS SOMEWHAT CONFUSED, BUT
MAKES IT CLEAR THAT KAISER AND REYNOLDS WILL NOT BE
ALLOWED TO CONTINUE IN BUSINESS IN JAMAICA INDEFINITELY
UNLESS THEY BUILD REFINING PLANTS HERE. IT IS WORTH
NOTING THAT KAISER HAS WITHOUT DOUBT THE BEST PUBLIC
RELATIONS IMAGE IN JAMAICA OF ALL THE BAUXITE COMPANIES,
AND PROBABLY THE BEST RELATIONS WITH THE GOVERNMENT AS WELL.
BY CONTRAST, REYNOLDS HAS THE WORST IMAGE AND RELATIONS WITH
THE GOVERNMENT, OF ALL THE COMPANIES. VIRTUALLY THE ONLY
THING THEY HAVE IN COMMON IS THE ABSENCE OF COMPANY-
OWNED REFINING CAPACITY IN JAMAICA. HENCE IT IS CLEAR
THAT, WHILE THE GOJ'S APPROACH TO BOTH COMPANIES IS
SEVERE, IT IS CERTAINLY NOT DISCRIMINATORY. IT IS ALSO
WORTH NOTING THAT, WHILE THE GOVERNMENT IS PROBABLY
SINCERE THAT PAYMENT FOR THE ACQUISITION OF MINING
RIGHTS WOULD BE PROMPT, EFFECTIVE AND ADEQUATE AND NOT
BE PAID OUT OF FUTURE PROFITS, BUT IN CASH. IT IS
DOUBTFUL THAT THE GOVERNMENT HAS OR CAN LAY ITS HANDS
ON THE MONEY TO MAKE GOOD ON SUCH A PLEDGE.

8. POINTS 8 AND 9 ARE NON-CONTROVERSIAL. WHILE POINT 9
IS GRATIFYING AS AN EXPRESSION OF PRIME MINISTER MANLEY'S
DESIRE TO AVOID CONFRONTATION WITH THE U.S. GOVERNMENT,
AND AS AN ASSURANCE THAT JAMAICA AND OTHER BAUXITE
PRODUCING COUNTRIES DO NOT PLAN AN OPEC TYPE CARTEL,
TO SOME EXTENT IT IS A THROW-AWAY BECAUSE MANLEY PROBABLY
SECRET

SECRET

PAGE 04 KINGST 00839 111849Z

ASSUMES THAT WE WOULD COME AND GET THE STUFF SHOULD IT
BE ESSENTIAL TO OUR OWN SURVIVAL. HEWITT

SECRET

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BAUXITE, AGREEMENT DRAFT, DIPLOMATIC DISCUSSIONS, MINING INDUSTRY, NEGOTIATIONS, PROPOSALS (BID)
Control Number: n/a
Copy: SINGLE
Draft Date: 11 MAR 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974KINGST00839
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: P740141-0941
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740352/aaaabwii.tel
Line Count: 156
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION SS
Original Classification: SECRET
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: SECRET
Previous Handling Restrictions: EXDIS
Reference: 74 KINGSTON 829, 74 KINGSTON 830
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 17 SEP 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <17 SEP 2002 by kelleyw0>; APPROVED <03 JAN 2003 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COMMENT ON PRIME MINISTER MANLEY'S ALLIANCE OF PARTICIPATION
TAGS: PINT, JM, US, (MANLEY, MICHAEL)
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005